

MASS. V  
T3.2:  
AP65



312066 0278 1184 1

# APPROACHING STATE RETIREMENT

GOVERNMENT DOCUMENTS  
COLLECTION

OCT 04 1993

University of Massachusetts  
Depository Copy

Q31/353



Retirement is a tough subject to think about for most of us. It's an important time of

transition and the earlier you begin planning, the better off your retirement can be.

You've worked long and hard during your service to the Commonwealth.

Retirement is the State's way of rewarding you for your loyalty and commitment.

We are providing this brochure to enable you to figure out what your retirement benefits are and the best way for you and your family to receive those benefits.

**Joseph D. Malone**  
Treasurer and Receiver General

As the subject of pension benefits gets more complex, the need for individuals to do some pre-retirement planning becomes crucial. Proper planning means figuring out certain basic information about your retirement benefits. After all, you want to make sure you and your family receive the best benefit package possible.

**The amount of your retirement benefit depends on a number of factors:**

- **YOUR AGE**
- **THE LENGTH OF CREDITABLE SERVICE**
- **THE LEVEL OF YOUR SALARY**
- **YOUR GROUP CLASSIFICATION**

Figuring out how old you are is pretty easy. Just use your age as of your last birthday in your calculations.

Next, you must determine whether you're eligible for retirement and how much creditable service you have.

Currently you're considered eligible for retirement if you have 20 years of service or if you are age 55 with at least 10 years of service.

Creditable service is earned by all state workers employed on at least half-time basis and who are contributing members of the state retirement system.

If you are a full-time employee, you'll earn one year of creditable service for each year completed.

If you're employed on less than a full-time basis, you'll earn an amount of service equal to a percentage of the full-time service rate.

**The amount of your retirement benefit depends on a number of factors:**

- **YOUR AGE**
- **THE LENGTH OF CREDITABLE SERVICE**
- **THE LEVEL OF YOUR SALARY**
- **YOUR GROUP CLASSIFICATION**

For example a worker employed on a half-time basis will receive 50% or 6 months service for each year completed.

You can also get credit for military service, if you were honorably discharged, under the following circumstances:

- if you were called to serve in a war, then the period of that leave is counted as creditable service
- if you served in the armed forces while the Selective Service Act of 1948 was in effect
- you are re-employed in the public sector within two years of your discharge.

Then your period of actual military service is counted, to a maximum of four years, as creditable service.

Another way you may be eligible to receive credit is if you served on at least a half-time basis with a city or county in Massachusetts or if you taught in a Massachusetts public school.

Now, that you've figured out your age and whether you're eligible to retire, the next thing to determine is whether you are vested in the state retirement system. Vesting is the term commonly used to signify the maintenance of the right to a retirement allowance at a later date. Vested benefits are those benefits which do not depend upon the member remaining in service to be entitled to them.

You are considered vested in the state retirement system once you have the equivalent of 10 years of full-time service. If you leave state service after you are vested, you may leave your retirement contributions in the system and receive a state pension at age 55.

You can also buy back any prior state service that was refunded or state service that was provided but which did not have retirement contributions withheld.

You have to submit your buy back request in writing and you will have to redeposit the appropriate contribution plus accumulated interest as determined by the Board. If you took a refund of your retirement contribution, you will have to buy back such service to have that time credited toward a state retirement.

## The amount of your retirement benefit depends on a number of factors:

- **YOUR AGE**
- **THE LENGTH OF CREDITABLE SERVICE**
- **THE LEVEL OF YOUR SALARY**
- **YOUR GROUP CLASSIFICATION**

A word on refunds — you can receive a refund of your account upon the conclusion of your employment if you are under age 55 and if you are over 55 but have less than ten years of service.

If you voluntarily leave your employment that began after January 1, 1984 and you have less than five years of service, no interest will be refunded to you. If you have between five and ten years service, you will receive one half the interest credited to your account. If you have over ten years service, all the interest will be refunded to you. Also, if you are removed or discharged, you will receive interest regardless of the years of service.

So far, we've covered how to determine your age and your length of creditable service. Next, we will look at how to figure out what salary level to use in your retirement calculations.

First, some background about just how much of your salary you contributed to the state retirement system.

The percentage is determined by your most recent entry date into the system. Members who re-enter the system with funds on deposit or who transfer from another contributory retirement system maintains their former contribution level.

### Employee Contribution

<b>Before January 1, 1975</b>	<b>5%</b>
<b>January 1, 1975 - January 1, 1984</b>	<b>7%</b>
<b>January 1, 1984 - present</b>	<b>8%</b>

One other note, workers hired after January 1, 1979 will pay their regular contribution plus an additional 2% contribution. On salaries in excess of \$30,000, the additional contribution is required as of January 1, 1988.

To figure out your average annual rate of compensation, you take your three highest consecutive earning years.

The final factor in determining your retirement allowance is your group classification. Massachusetts currently has four group classifications.



## GROUP ONE MEMBERS

Officials and general employees including clerical, administrative and technical workers, laborers, mechanics and all others not otherwise classified.

## GROUP TWO

Employees with hazardous occupations such as mental health hospital attendants, some correction employees, building inspectors and certain court employees.

## GROUP THREE

State police officers.

## GROUP FOUR

Police officers and correction officers.

So, at this point, just to review, you have figured out your age, your length of creditable service, the level of your salary, and your group classification.

Now, we'll move on to the basic formula for calculating your retirement allowance.

**X YOUR BENEFIT RATE**  
**X YOUR HIGH THREE YEAR AVERAGE PAY**  
**X YOUR CREDITABLE SERVICE**  
**= YOUR RETIREMENT ALLOWANCE**

Your benefit rate is determined by your age as of your last birthday and your group classification. The benefit rate is a specific percentage of the amount of your average annual rate of pay. The maximum pension is 80% of the high three year average annual rate of compensation. Your age factor times the number of years of service determine your percentage.

This chart is the full breakdown of the benefit rate percentages:

Use worksheet on back panel

AGE	FACTOR%	AGE	FACTOR%	AGE	FACTOR%
45	.005	52	.012	59	.019
46	.006	53	.013	60	.020
47	.007	54	.014	61	.021
48	.008	55	.015	62	.022
49	.009	56	.016	63	.023
50	.010	57	.017	64	.024
51	.011	58	.018	65 and over	.025

Here are two examples to show how the formula works.

### Example One:

A Group One member retiring under the following conditions:

- Age 55
- 15-1/2 years of creditable service
- Three year average annual rate of regular compensation that equals \$24,333
- Non-veteran status

The total annual allowance would be \$5,657.42. The monthly benefit would be \$471.46.

### Example Two:

A Group Two member retiring under the following conditions:

- Age 55
- 15 years of creditable service
- Three year average annual rate of regular compensation that equals \$25,000
- Veteran status

The total annual allowance would be \$7,500. But, because this member is a veteran, he or she is entitled to fifteen dollars a year for each of their fifteen years of service. The maximum credit for a veteran is \$300 per year. That raises the total annual allowance to \$7,725. The monthly benefit would be \$643.75.

You have three options in deciding how you want your retirement benefits paid out to you. That decision should not be made on the basis of what options are the most popular or the one chosen

by a friend or an acquaintance. The choice should be based on your own personal needs.

Election of option "A" means you'll receive the greater or largest retirement allowance possible in monthly payments. However, all allowance payments will stop upon your death and no benefits will be provided to your survivors.

Option "B" provides you a lifetime allowance three to five per cent less than option "A". This option provides a lump sum payment of any remaining deposits and interest at your death. The longer you live, the less will be paid to your beneficiary. On average, you would have to live between twelve and fifteen years to deplete your deposits and interests. Your monthly pension will not change.

If, upon retirement, you do not select an option, the law provides that you will be retired under option "B".

## HERE'S THE COMPLETE OPTION "C" CHART TO MAKE YOUR CALCULATIONS.

		OPTION "C"											
MEMBER'S AGE	70	63	63	64	65	66	67	68	69	70	71	72	73
	69	64	65	66	67	68	69	70	71	72	73	74	75
	68	66	67	68	69	70	71	72	73	74	75	76	77
	67	68	69	70	71	72	73	74	75	76	77	78	79
	66	69	70	71	72	73	74	75	76	77	78	79	80
	65	70	71	72	73	74	75	76	77	78	79	80	81
	64	72	73	74	75	76	77	78	79	80	81	82	83
	63	73	74	75	76	77	78	79	80	81	82	83	84
	62	74	75	76	77	78	79	80	81	82	83	84	85
	61	76	77	78	79	80	81	82	83	84	85	86	87
	60	77	78	79	80	81	82	83	84	85	86	87	88
	59	78	79	80	81	82	83	84	85	86	87	88	89
	58	79	80	81	82	83	84	85	86	87	88	89	90
	57	81	82	83	84	85	86	87	88	89	90	91	92
	56	82	83	84	85	86	87	88	89	90	91	92	93
	55	83	84	85	86	87	88	89	90	91	92	93	94
		55	56	57	58	59	60	61	62	63	64	65	66
BENE													

Option "C" is known as The Joint and Last Survivor Allowance. Allowance payments under this plan will be less than those you would receive under options "A" or "B". To determine your allowance under this option, you must multiply your option "A" pension by your option "C" factor.

The so called "C" factor is an actuarial calculation derived from your life expectancy and that of your beneficiary. Under option "C", upon your death, your designated beneficiary will be paid an allowance for the remainder of his or her lifetime. That allowance will be equal to two-thirds of the allowance paid to you at the time of your death.

Eligible beneficiaries under option "C" are:

- your spouse
- father
- brother
- unmarried ex-spouse
- mother
- child
- sister

NO ONE ELSE IS ELIGIBLE.

## OPTION "C" FACTOR %

(APPROXIMATE)

68	69	70	71	72	72	73	74	75	76
69	70	71	72	73	74	75	76	77	77
70	72	73	74	74	75	76	77	78	79
72	73	74	75	76	77	78	78	79	80
74	75	76	76	77	78	79	80	80	81
75	76	76	77	78	79	80	81	82	82
76	77	78	79	79	81	81	82	83	84
78	78	79	80	81	82	82	83	84	85
79	80	80	81	82	83	84	84	85	86
80	81	81	82	83	84	85	85	86	86
81	82	83	83	84	85	86	86	87	87
82	83	84	84	85	86	87	87	88	88
83	84	85	85	86	87	87	88	88	89
84	85	86	86	87	88	88	89	89	90
85	86	86	87	87	89	89	90	90	90
86	87	87	88	88	89	90	90	91	91
60	61	62	63	64	65	66	67	68	69

BENEFICIARY'S AGE

If, under option "C", your beneficiary dies before you, your retirement automatically reverts to the option "A" pay out plan.

Keep in mind, you cannot change your option after your retirement date.

## NOW, WHEN CAN YOU START FILING FOR RETIREMENT?

No sooner than 120 days before you plan to retire. You can also file for retirement up to sixty days after you leave public service. You can file after sixty days but your benefits will not be retroactive to your retirement date. Therefore, the State Retirement Board strongly recommends that you plan your retirement before leaving your job. Certain retirement options will not be available to you once you stop working. You should therefore obtain counseling from the State Retirement Board before you stop working.

## HOW MANY FORMS DO YOU HAVE TO FILL OUT AND ARE THEY COMPLICATED?

Essentially, there are just two forms. But, the important thing to remember is that you must ask the State Retirement Board for the forms yourself. The Board has no idea that you are thinking about retirement. It is up to you to get your retirement process going.

The first form is called the Application by Member for Voluntary Retirement Allowance which is just one

page. The second form tells the Board which option you have selected for your retirement pay out.

Again, you will be picking either option "A", "B" or "C". So, to get your retirement process underway, all you have to do is request your two retirement forms, fill them out, supply your birth record and military discharge papers, and bring them to your retirement board. If you are choosing option "C", you must also provide verifying information about your beneficiary. Verifying information includes the beneficiary's birth certificate and marriage certificate, if spouse.

Sometimes, there are other special circumstances involving a person's retirement. We cannot cover all those possibilities in this brochure. If you feel you fall into that special case category, contact your retirement board. The Board handles these situations on a case-by-case basis.

One other note about what is known as Section 10 Retirement. If your position is eliminated or abolished or you are laid off or terminated and:

- you have more than six years of service
- you have more than 20 years of service and are under age 55
- you have more than 30 years of service and are under age 55

You should contact your retirement board to discuss your rights under Section 10.

GOOD LUCK  
WITH YOUR  
RETIREMENT



## WORKSHEET

Use your age on your last birthday

Note—For Group 2 add 5 years to your last birthday and consult the chart.  
(you must be at least 55 to be classified in Group 2)

### TO CALCULATE YOUR PENSION

Enter your years of service here \_\_\_\_\_ 1.

Enter your age factor from chart here \_\_\_\_\_ 2.

Multiply line 1. and line 2.  
and enter your percentage here \_\_\_\_\_ 3.

Enter your highest 3 years average here \_\_\_\_\_ 4.

Enter your percentage from line 3. here \_\_\_\_\_ 5.

Multiply line 4 by line 5  
and enter amount here \_\_\_\_\_ 6.

### OPTION (A) PENSION

The amount on line 6 is your approximate Option (A) pension.  
To calculate your approximate Option (B) pension, reduce your  
Option (A) pension (line 6) by 4%.

This brochure was made possible with cooperation  
and funding provided by:

**IDS**

An American Express company




8

To help you make the most of your various retirement options, turn to the country's top financial planning organization, IDS Financial Services, an American Express Company. Founded nearly a century ago, the IDS group of companies owns or manages more than \$80 billion in assets and serves over two million clients. With a staff of 350 highly qualified financial planning experts in Massachusetts alone, IDS has the knowledge, experience and stability to provide the best services possible to you.

THE BOSTON COMPANY  
Institutional Investors, Inc.

**Wardley**

Investment Services Limited

member HSBC  group

The Asian Investment Specialist

SCUDDER



Founded in 1919, Scudder, Stevens & Clark, Inc. is one of the country's oldest and largest investment management firms with over \$60 billion in assets under management globally for institutions, private individuals and mutual fund shareholders in the United States and overseas.

SFC | SENTRY FINANCIAL CORPORATION



David L. Babson & Co.

### SPECIAL THANKS TO:



Massachusetts State Retirement Board  
One Ashburton Place  
Boston, MA 02108-1607  
617-367-7770

### PRODUCED BY:

Cohn McKay  
Communications  
Waltham, MA

Ocean One Productions  
Boston, MA

